Minutes of the Special Meeting of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 5:00 P.M., Wednesday, December 18, 2019 in the Boardroom of the Port of Lake Charles located at 1611 West Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

David J. Darbone, President

Carl J. Krielow, Vice President

Thomas L. Lorenzi, Secretary/Treasurer

M. Keith Prudhomme, Assistant Secretary/Treasurer

Dudley R. Dixon, Commissioner

Michael G. Eason, Commissioner

Absent:

 None

Also Present:

 Bill Rase, Executive Director

 Richert Self, Deputy Executive Director/Director of Administration and Finance

 Michael K. Dees, General Counsel

Jon Ringo, Assistant General Counsel

Channing Hayden, Director of Navigation

 Todd Henderson, Director of Operations

 Nick Pestello, Director of Engineering and Maintenance

 Michelle Bolen, Executive Administrative Assistant

Mr. Darbone called the meeting to order at 5:00 P.M. Mr. Dixon gave the invocation. Mr. Lorenzi led the Board and audience in the Pledge of Allegiance.

Mr. Darbone made a statement reminding the Public of the Port’s procedure for the Public to address an agenda item to the Board.

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1. Approval of the October 28, 2019 Regular Meeting Minutes and the November 5, 2019 Special Meeting Minutes.

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Mr. Dixon offered a motion to approve the October 28, 2019 Regular Meeting Minutes and the November 5, 2019 Special Meeting Minutes. Mr. Eason seconded the motion and it carried unanimously.

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2. Submission 2019 – 033 establishing the Regular Meetings of the Board of Commissioners of the Lake Charles Harbor and Terminal District for the calendar year 2020.

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Mr. Rase stated the regular meeting dates of the Lake Charles and Terminal District are approved by the Board of Commissioners. Staff presented dates for approval for the calendar year 2020.

Mr. Krielow offered a motion to adopt Resolution 2019 – 033 to establish the Regular Meetings of the Board of Commissioners of the Lake Charles Harbor and Terminal District for the calendar year 2020. Mr. Lorenzi seconded the motion and it carried unanimously.

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3. Submission 2019 – 034 approving the appointment of Randy Oakley to the Board of Directors, Port Rail, Inc.

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Mr. Rase stated Port Rail Inc. has a vacancy on their Board. Mr. Godwin has retired from the Board. According to Port Rail, Inc. by-laws, the Port of Lake Charles Board is to select a new board member. Mr. Randy Oakley has been nominated to replace Mr. Godwin. This will be for a required five-year term beginning January 1, 2020.

Mr. Prudhomme offered a motion to adopt Resolution 2019 – 034 approving the appointment of Randy Oakley to the Board of Directors, Port Rail, Inc. Mr. Dixon seconded the motion and it carried unanimously.

Mr. Darbone asked if Mr. Oakley wished to speak. Mr. Oakley thanked the Board and said he was a Lake Charles native. He was absent in the 80 – 90’s and retired from Sempra LNG. He is happy to be selected to serve on the Port Rail Inc.’s board.

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4. Submission 2019 – 035 authorizing a Permanent Railroad Track Crossing servitude Agreement with the City of Lake Charles, Louisiana.

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Mr. Rase stated this is a lease with the City of Lake Charles regarding an agreement for a railroad track crossing as part of a golf course in the Morganfield Development in Lake Charles.

Mr. Lorenzi offered a motion to defer a decision on this item until January 2020. Mr. Dixon seconded the motion and it carried unanimously.

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5. Submission 2019 – 036 authorizing a First Extension and Amendment to Ground Lease with Driftwood LNG, LLC.

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Mr. Rase stated Driftwood LNG is seeking an extension of their lease. The initial term of the Short Term Lease was four years and will expire in April 2020. They are willing to pay the same as they did on the fourth year of the lease. There is some language they are working on in the larger agreement that has been proposed by some of their lenders, but the action is for the smaller agreement. When the large agreement is ready, staff will bring that back to the Board for confirmation. They are asking for a one-year extension.

Mr. Dixon offered a motion to adopt Resolution 2019 – 036 to authorize a First Extension and Amendment to Ground Lease with Driftwood LNG, LLC. Mr. Eason seconded the motion and it carried unanimously.

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6. Submission 2019 – 037 approving revisions to the Port of Lake Charles Tariff No. 013.

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Mr. Rase stated that when staff would like to make changes to the tariff, they bring them to the Board for approval. The main portion that gets changed time to time, is from the Gulf Port Sea Marine that the Port belongs to. They look at dockage and security fees. Staff is asking the Board to adopt what is the standard procedure from the conference to the Port’s current rates.

Staff also cleaned up some of the language that is in the tariff. Some of it referred to the Port’s loader and unloader. They no longer have that particular type of item in the Port, so they are asking to strike that. Under care, custody and control, they want to make sure that was a highlighted situation so that when cargo comes in, everyone understands that the Port does not take care, custody or control of the cargo. That goes to the different entities that are bringing in the cargo. Those are the main things.

Mr. Lorenzi offered a motion to adopt Resolution 2019 – 037 to approve revisions to the Port of Lake Charles Tariff No. 013. Mr. Krielow seconded the motion and it carried unanimously.

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7. Submission 2019 – 038 approving the Executive Director’s changes to the Lake Charles Harbor and Terminal District’s Employee Handbook.

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Mr. Rase stated every two years staff brings the Employee Handbook to the Board for approval on changes made. The big change is the Safety and Security Section, which used to be a very small portion of the handbook. It is now a rather large piece.

That is the main change. Also, anything they have had to do that is Civil Service mandated over the last two years or something that they feel is appropriate for the employees, they make the changes and bring them to the Board for approval every two years.

Mr. Dixon offered a motion to adopt Resolution 2019 – 038 to approve the Executive Director’s changes to the Lake Charles Harbor and Terminal District’s Employee Handbook. Mr. Eason seconded the motion and it carried unanimously.

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8. Submission 2019 – 039 approving an amendment of the 2019 Operating Budget for the Lake Charles Harbor and Terminal District.

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Mr. Rase stated he would turn this item over to Mr. Self.

Mr. Self stated there was a recent governmental accounting standard that came out that requires that interest expense on bond issues be expensed in the period it is incurred. Previous to that, they were allowed to apply the interest on capital projects to those capital projects and depreciate them over the useful life of the asset. Because this is a new announcement, staff did not budget for this in 2019. Staff would like to book the interest for 2019 and they have budgeted it for 2020 for the interest portion of the 2020 debt.

Mr. Lorenzi asked if the purpose of this was to bring the Port in compliance. Mr. Self replied that yes, it was a governmental accounting standard.

Mr. Lorenzi offered a motion to adopt Resolution 2019 – 039 t approve an amendment of the 2019 Operating Budget for the Lake Charles Harbor and Terminal District. Mr. Dixon seconded the motion and it carried unanimously.

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9. Submission 2019 – 040 approving the 2020 Operating, Non-Operating and Capital Budgets for the Lake Charles Harbor and Terminal District.

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Mr. Self presented a PowerPoint presentation to the Board. The presentation is included in the minutes.

The first slide details the Traffic Outlook for 2020. They are budgeting 180,000 tons of Bagged Cargo. It is a decrease of 48,000 tons compared to 2019. Forest products are anticipated to increase 27,000 tons compared to 2019. In Other Breakbulk, they are budgeting 250,000 tons, which is an increase of 137,000 due to the windmill blades.

At BT-1, they anticipate about 2.6 million tons, which is an increase of 414,000 tons due to petroleum coke and partially offset by a decrease in barite. At BT-2, they anticipate about 200,000 tons. At BT-4, they anticipate about 800,000 tons.

Cameron LNG started in June 2019 exporting LNG. The number of vessels has ramped up since then. He is budgeting about 3.4 million tons of LNG exports.

ALCOA will have a small increase of 72,000 tons. Overall, they anticipate Port traffic to be about 8.2 million tons. It is an increase of 2.9 million tons from last year.

The second slide gives one a perspective of the overall volume of cargo moving through the ship channel.

Regarding the financial statements, they are budgeting $40.6 million next year. Within that category of revenues, there are vessel cargo services. Vessel and Cargo Services are budgeted at $22.2 million, which is an increase of $1.8 million. It is tied directly to the traffic forecast. They are budgeting more pet coke and anticipating more pet coke revenue with it being partially offset by a decline in barite.

Rentals are anticipated to increase about $162,000 due to one of the Port’s tenants at the Industrial Canal leasing additional property.

The Other section is primarily right-of-ways and use of dredge spoil sites and are anticipated to increase $191,000.

Total Operating Expenses are expected to be about $42.7 million. Within that, Wages & Benefits will increase $214,000 due to bringing the contract gate guards service in-house by March. That involves hiring ten new employees. There will be a related decrease in Contractual Services due to the fact they will bring that in-house. Contractual Services will be about $5.7 million, which is a decrease of $709,000. It is partially due to bringing the guard services in-house and a decline in legal expenses associated with a lawsuit from 2019 that has been completed. It is partially offset by increases of Professional Services related to the rail car switching. The Port pays Port Rail as the Port’s rail car switcher. The Port is projecting higher volumes for 2020, so fees will be higher related to the volume. They are also budgeting to commission a Strategic Plan in 2020. There will also be an underwater dock inspection at City Docks in 2020.

Supplies and maintenance are expected to be about $5.8 million. It is an increase of about $940,000. Several things are coming into play. Associated with the higher overall increase volume of pet coke, they are anticipating higher maintenance expenses, which goes hand in hand with the volumes of cargo. They will also conduct a water well inspection, GIS mapping and a PEERS report for 2020.

Depreciation will be about $16.2 million. It is an increase of $657,000 due to the ship unloader at BT-1, the new ladder tracks at Shed 7 and the cleats and bollards at Sheds 4 – 6.

Mr. Self said they anticipate an operating loss of about $2.1 million. It is an improvement compared to 2019, but still a loss.

EBITDA will be about $14.2 million. It is just a good measure of cash flow.

Regarding Non-Operating Revenues and Expenses. He anticipates a small increase in total non-operating revenues due to the ad valorem tax the Port receives.

Non-operating expenses will decrease about $368,000, due to the fact that the Port has completed the payments to the Cove Lane project. It was paid out for five years and the last payment was in 2019.

Mr. Self said they anticipate a net income of about $900,000 for 2020 and a cash flow of $17.1 million, which is really strong.

Regarding the Capital Budget, they provide a five-year outlook, but he is only requesting approval on the expenditures for 2020. He expects about $50.9 million in total capital expenditures funded by the Port in 2020 and $4.3 million by other sources for a total of $55.3 million. Of that total, about $15 million is tied to one project at BT-1. Berth 9 is $8 million. The new loader and unloader is $7.5 million and the Dredge Material Management Plan (DMMP) is $3 million.

Mr. Self described the Minor Capital Projects by Departments. They anticipate about $2.4 million in minor capital projects.

Regarding Cash Flow, the Port ended November with about $69.5 million in cash. He anticipates $17.1 million in cash flow in 2020, some of which will be restricted from projects and the debt service payment for next year. They have about $50.9 million in capital expenditures, port funded portion. If that all comes to pass, they anticipate ending 2020 with about $25.3 million in cash.

Mr. Krielow asked regarding to the Capital Budget, the $15 million of the $50 million is for Lake Charles Methanol project. Mr. Self replied that the $15 million is only the 2020 portion of the Lake Charles Methanol projects. Mr. Krielow asked if that was of the overall project. Mr. Self said those projects will expand over multiple years. Mr. Krielow said that in addition to that, some of the personnel positions are contingent upon that also. Mr. Self replied they were. Mr. Krielow said those positions would not necessarily be filled immediately. Mr. Self said there were three vacant positions. Mr. Krielow asked if they would come on later in the year. Mr. Self agreed.

Mr. Krielow said regarding the contractual services part of the operating budget, on the big-ticket items, does the Port typically do an RFP, proposals, or bids? Is that something they negotiate on an item basis? Mr. Rase replied that they do and might go out for requests for quotes on some of it. They might go out with an RFP or look at the project and the people who are actually putting in for the project – such as railroad, you get very limited on what you can do. It depends on the project, but generally, they ask for pricing from three different entities. If it is a specialized item, such as attorneys, he looks to the legal department for decisions to make there. It is a mixed bag. Mr. Krielow asked if this was like the Strategic Plan. That would be….Mr. Rase said that would be something they would go out to two or three of the people that actually deal in ports and ask them to give staff a quote. He does not think they would do an RFP.

Mr. Rase stated that the three positions for Lake Charles Methanol are for this year. If they actually go forward with the project, there will be others added to that. They will end up with 15 – 20 extra people if the project moves forward. Mr. Krielow asked if those positions would be later in the year. Mr. Rase said those three would probably get them through this year. The others are for other years.

Mr. Dixon offered a motion to adopt Resolution 2019 – 040 to approve the 2020 Operating, Non-Operating and Capital Budgets for the Lake Charles Harbor and Terminal District. Mr. Eason seconded the motion and it carried unanimously.

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 10. Stevedore Permits Briefing Note

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The Stevedore Permits Briefing Note was rendered to the Board and is on file in the Executive Offices.

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 11. November 2019 Financials Briefing Note

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The November 2019 Financials Briefing Note was rendered to the Board and is on file in the Executive Offices.

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 12. Monthly Staff report from Deputy Executive Director Monthly Report.

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The Deputy Executive Director’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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 13. Monthly Staff report from Director of Navigation.

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The Director of Navigation and Security’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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 14. Monthly Staff report from Director of Operations.

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Mr. Henderson stated activity for the month of December will include:

1 Windmill Train

City Docks:

5 Windmill blade Ships

1 Bulk Rough Rice Ship

1 Bagged Milled Rice Ship

1 Hydrate Ship

3 Bagged Barite Barges

1 Lumber Ship

BT-1:

8 Raw Coke Ships

2 Calcine Ships

2 Calcine Barges

1 Rutile Ship

1 Caustic Soda Barge

1 Alumina Hydrate Barge

The Director of Operations’ Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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 15. Monthly Staff report from Director of Marketing and Trade Development.

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The Director of Marketing and Trade Development’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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16. Monthly Staff report from Director of Engineering, Maintenance, and Development and Security.

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Mr. Pestello stated TDC Terminals went into operations today.

The Director of Engineering, Maintenance, and Development and Security’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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 17. Monthly Staff report from the State Port Lobbyist.

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The State Port Lobbyist’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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 18. Executive Session and appropriate action in any of the following matters:

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Mr. Darbone stated the Board would not enter into Executive Session.

* Suit against the Port of Lake Charles – Suit No. 2013-001091- 14th JDC, State of LA.
* Suit against the Port of Lake Charles – Suit No. 2014-004268-14th JDC, State of LA.
* IFG Port Holding, LLC vs LCHTD – Case: 2:16-cv-00146 U S District Court, Western District of Louisiana, Lake Charles Division.
* LCHTD vs IFG Port Holding, LLC – Case: 2:16-cv-00785 U S District Court, Western District of Louisiana, Lake Charles Division
* Discussion of Executive Director position.

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19. Other Matters which may properly come before the Board.

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Mr. Rase stated he wanted to say that this was Mr. Dees last meeting and he wanted to personally thank him for the time he has put in with him and help him understand a little bit of law. This is his las official meeting.

Mr. Dees stated he was thinking he had met Mr. Lorenzi in the 80’s and Mr. Prudhomme in the 80’s. He came out of law school in 1976 and started doing stuff for the Port on contract. It seems like it was about five years ago. It goes pretty fast. He told Mr. Ringo and the other younger guys here to use their time wisely because it flies. He thanked the Board for letting him work at a job that you like and really love coming to. He told some employees that it is rewarding to see projects like L’auberge, Golden Nugget and Cameron LNG and Trunkline LNG and things that will be here a long time and employ a lot of people and do good things for the community. Lawyers sometimes get caught up in all of the paperwork and representing one client. He had fortunate opportunity to represent one client and do a lot of things. He thanked the Board.

Mr. Lash Chretien stated Mr. Dees was the best attorney the Port has ever had. He was good and helped them with a lot of problems.

There being no further business to come before the Board, Mr. Darbone asked for a motion to adjourn. Mr. Dixon offered a motion to adjourn. Mr. Eason seconded the motion and it carried unanimously. The meeting adjourned at 5:37 p.m.

All discussions held on the above items were recorded using the FTR Gold program, and saved on the District’s main file server in the District’s office.

Please note that when the votes are shown as unanimous, it is the policy of the Board that the President does not vote except in the event of a tie vote by the rest of the Board and/or unless otherwise indicated.

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 DAVID J. DARBONE, President

ATTEST:

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THOMAS L. LORENZI, Secretary/ Treasurer